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# *Research Based on the Stock Trend of Disney over the Pandemic*

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***Abstract:*** The COVID-19 pandemic has caused significant damage to theme parks. During the era of the pandemic, millions of companies from different industries were facing huge economic problems, which included the excessive indebtedness that leads to failure to pay back within the regulated time limit, the thing go under, and facing bankruptcy. Theme parks industry was one of those who fell into predicament. The sudden decrease of visitors and compulsory safety precautions caused the short-term disclosure of the parks and resorts. What was taught by the Covid-19 pandemic was that theme parks should always keep themselves attractive and innovative. This article aims to research the pandemic's impact on Disney and its reaction to encountering the park disclosure. By analyzing data and information directly from their website and statements using ways of accounting, it is expected to figure out whether the reactions were supportive, and how their responses helped minimize the adverse effects brought by Covid-19.

***Keywords:*** theme parks, Disneyland, stock market, Covid-19 pandemic, entertainment business

## 1. Introduction

Disneyland is a theme park in Anaheim, California. Initiated in 1955, there are twelve Disney worlds in total spread all over the world. During the pre-Covid period, the theme parks industry was one of the most popular industries still developing and had unfathomable possibilities. Disneyland was one of those that stood out from all the theme parks in the world. However, the pandemic broke the boom. The pains at parks were literality what happened to the whole travel industry. During the period of Covid-19, thousands of travel agencies faced bankruptcy, and most of them disappeared after the pandemic. At the same time, almost all Disneyland settles worldwide faced significant problems considering safety and the sudden reduction of visitors. Specifically, on January 25, 2020, the Shanghai Park closed in response to the COVID-19 pandemic, following the actions of Ocean Park Hong Kong and Hong Kong Disneyland Park; it remained closed for the next three and a half months; and it reopened to guests on May 11, 2020, as the first of the Disney Parks to reopen. The park, however, was hit with a second revelation in 2022 due to an uptick in Covid-19 cases in China [1]. The suspension of operations greatly reduced Disneyland's economic might at the time and wreaked havoc on other fronts, including human capital and the ability to run smoothly. Economist of Moody's Analytics, Mark Zandi, said the layoffs at Disney are a warning that the entertainment business will

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change drastically in the near future. Two or three years will be required to make up for lost time. Something like this is not going to be easily recovered [2].

## 2. Impact

### 2.1. Working Capital

During the disclosure, all recreational facilities were shut down, which significantly reduced the cost of operating. However, they still needed to pay those workers' salaries to keep the industry working. It was one of the problems that happened and affected Disneyland. Over half of our employees were furloughed and our workforce was cut in half as Disneyland International moderately reduced manager salary, abolished Board of Director retainers and committee fees, and reduced headcount during the pandemic. As a result of the pandemic's effects on its theme parks, hotels, ships, and stores, The New York Times reported on September 29, 2020, that Disney will be laying off 28,000 Americans. As claimed by Disney Parks Chairman Josh D'Amaro, 67% of those let go were hourly or part-time workers. In an effort to save the firm $500 million, Disney has decided to send over 100,000 employees on extended unpaid leave beginning the week of April 20, 2020 [3]. Here is an example of where the corporation has effectively reduced costs while maintaining quality. Still, it also led to the delay and cancelation of specific projects in which they have invested (both the ones that took place in and out of the park).

### 2.2. Delay and Cancelation of the Projects they Invested

The large-scale dismissal and reduction of human resources minimized the cost; however, on the other side, the disclosure of the parks and the stop of operation led to the delay and cancelation of a large proportion of projects and events that were supposed to take place in and out of the park which was invested and scheduled by Disney. Theatrical releases from the Studio Entertainment division, for instance, have been postponed, truncated, or canceled in certain circumstances, and performances of plays have been put on hold since the end of the second quarter. In addition, TV series like American Housewife and Empire were canceled [4]. Other films like Deep Water and Free guy were also delayed because of the pandemic. Production on Raya and the Last Dragon kicked off in October of 2018; the film's title and voice cast were unveiled in August of 2019; the film was scheduled for a November 25, 2020 theatrical release in the United States, but was pushed back to March 5, 2021 owing to the COVID-19 pandemic.

### 2.3. Stock Market

Disney stock has fallen by more than 30 percent since late February 2020, when concerns about COVID-19 first began to grip the financial market. After 10 years of rapid growth, this depression was the first to hit. Four months ago, Disney stock was trading at $150, a rise of almost 400% during Bob Iger's nearly 15 years as CEO. The stock price dropped from $91 in February 2020 to $85 in March 2020, a 31% drop [5].

### 2.4. Calculation

Based on the data shown on the annual reports in 2019, and 2020, this part is aimed at analyzing specific data and determining the effectiveness of the response of Disney to the sudden drop caused by the pandemic. The calculation will be split into three parts: Solvency, Profitability, and Liquidity, respectively.

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### 2.4.1. Solvency ratio.

From the annual report, the author gleaned that the debt-to-asset ratio best illustrates the relative ownership of creditors and shareholders in a corporation. This metric will help us compare debt-servicing capacities before and after the pandemic.

In this case, we calculated the debt to asset ratio by dividing the total debt by the total asset. The total asset in 2019 was 193984 million, and the total liabilities were equal to the total assets subtracted by the stockholder’s equity, which is 193984 minus 88877 million, which equals 54.2 percent. On the other side, the total asset in 2020 was 201549 million, and the total liabilities was 113286 million. The debt to asset ratio in 2020 was 56.2 percent.

As shown by the result, the debt to asset ratio of 2020 was 0.2 percent higher than in 2019. It does not change so much, which means the debt capability did not change for the year because of the adverse effect of the pandemic. However, Disney is still a high-risk company and may discourage investment.

### 2.4.2. Profitability ratio.

We analyzed Disney's gross profit margin and operating profit margin to get a sense of how profitable the company is. Profit after costs is known as gross profit margin, and it is used as a financial indicator. Income before interest, taxes, depreciation, and amortization is also known as EBITDA. Consequently, regardless of depreciation estimates or financing options, EBITDA may be used to evaluate and compare the underlying profitability of different businesses.

If you divide annual revenue by the difference between that number and the cost of goods sold, you get the gross profit margin for the year. In 2019, we were paid a total of 69607,000,000 and our COGS came to 30925,000,000. This year's GPM was 54.2%. Yet, in 2020, sales were $65388 million and COGS was $34932 million. In 2020, the margin on gross profit was 46.6%.

The EBITDA is the combination of net income, tax, interest, and depreciation. EBITDA in 2019 was equal to 25465 million. At the same time, the EBITDA margin equals EBITDA over revenue. The revenue for 2019 was 69607 million. Therefore, the EBITDA margin was 36.5 percent.

The EBITDA for 2020 was 5200, and the revenue was 65388. The EBITDA margin was 7.9 percent.

### 2.4.3. Liquidity.

The liquidity ratio measures a company's short-term debt repayment capacity and is a sort of financial measurement.

The quick ratio is a measure of a company's ability to meet its short-term obligations (such as those that come due within the next 90 days) without resorting to the sale of assets or the infusion of extra capital. When compared to the current ratio, which takes into account all current assets as coverage for current obligations, the quick ratio is seen as a more cautious metric. To calculate the quick ratio, we need to know the current asset, inventories, and current liabilities. For the year 2019, the current asset was 28124 million, and the inventories and current liabilities were 1647 and 31341, respectively. The quick ratio for 2019 was 84.5 percent. For the year 2020, the current asset was 35251, the inventories were 1583, and the current liabilities were 26628. The quick ratio for 2020 was 126.4 percent.

## 3. Conclusion

In accordance with the calculation, the debt to asset ratio almost stayed the same for 2020 as the year of 2019. The ratio of debt to asset ratio increased by 0.2 percent compared to 2019. In this case, we

can interpret that the debt capacity, or to be more specific, Disney's ability to service its current debt and its ability to raise cash from new debt, did not change after the occurrence of the Covid-19 pandemic. So, we can further affirm that the solvency did not change because of the reflection of Disney. Cutting costs from the sudden job cut and series of cancelations have effectively stopped Disney from further taking more debt even during the period of pandemic. In addition, the liquidity of Disney even got a 40-percentage increase for quick ratio. At the beginning of the year of 2020, Disney was facing huge economic problems because of the rapid occurrence of Covid-19 cases worldwide. Few travelers visited Disneyland, and concerning the safety of employees that worked in the theme park, the park was facing an disclosure with few income. They still needed to pay for the salaries and the rent fee. Under this circumstance, the stock price of Disney has plummeted to its lowest in the past ten years. Most companies would choose to be in debt to keep the company living, accompanied the urgent measure to alleviate the loss. Fortunately, their intense reaction worked, stopping the stock price from dropping further. In terms of their profitability, before the pandemic, Disney paid a considerable amount of tax to the government because of the high rate of net income. During the pandemic, the revenue dropped substantially, followed by a drop in the proportion of tax taken. This partially eases the burden of loss. The EBITDA ratio of 2020 was higher than the one in 2019 because of the decrease in tax and interest paid. However, the gross profit ratio dropped because of the decline in revenue and the increase in the cost of goods. Despite that, Disney could still pay their short-term debt obligation and profited from the branch project. Social media helped broadcast and spread the new project commence online. The response coped with the adverse effect brought by the pandemic effectively.

A few planning lessons are to be drawn from this public relations campaign. First, any organization needs to have a crisis communication plan prepared because it is better to be safe than sorry. Backup projects were one of the most crucial factors for Disney to go through this crisis ultimately. Finally, any branching can play a significant role during an emergency.

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